



REQUEST FOR PROPOSALS

SITUATION OVERVIEW

BCRC, a corporation owned by the Province of British Columbia (the “Province”), is pursuing a transaction involving its industrial freight railway business (“BC Rail”). Based on a recent review by the Province of all Crown corporations, including BC Rail, it was concluded that BC Rail could best achieve its operating objectives with the commercial support and financial participation of the private sector. The Province intends to retain ownership to the railway land, rail bed and track.

OVERVIEW OF BC RAIL

BC Rail, Canada's third largest railway as measured by revenue and continuous track, operates exclusively in BC and has interline connections to all rail-served points in North America. The BC Rail railway line consists of 2,315 route kilometres and 740 kilometres of industrial, yard and track sidings throughout the Province. The Company plays an important role in the economy of BC as almost all of the railroad's customers sell their commodities outside BC. Approximately 85% of BC Rail's total revenue is generated from the transport of such goods as forest, energy and agricultural products. The remainder of BC Rail's revenue is derived from car hire and switching. BC Rail's key stakeholders include its customers, the various communities along its line, First Nations, and its employees. Major customers include Canfor Corp., Slocan Forest Products Ltd., Enersul Limited Partnership, Weldwood of Canada Ltd. and West Fraser Timber Co. Ltd.

PROCESS

CIBC World Markets has been retained by the Province to assist it in the collection and evaluation of Expressions of Interest regarding the future operation of BC Rail.

Interested parties will be qualified based on a review and approval by an Evaluation Committee appointed by the Province.

This review will be based on a number of criteria including but not limited to:

- (i) Background information on their operating capabilities;
- (ii) Their history and experience in transactions of this nature;
- (iii) Evidence of their financial capacity; and
- (iv) Evidence of the business rationale for their interest.

Interested parties are required to provide to CIBC World Markets a letter that addresses each of these points. After having qualified, parties that have executed a Confidentiality Agreement will be sent a Confidential Information Memorandum describing the business of BC Rail and will be invited to submit Expressions of Interest.

Expressions of Interest will be evaluated on the basis of proceeds to the Province, in addition to a number of strategic considerations that are important to communities, customers and employees, including:

Sustainability – proposals must promote a robust and well-maintained transportation infrastructure, which supports the long-term economic development and diversification of communities throughout British Columbia;

Competitiveness – proposals must recognize industrial customers' desire for competitive freight rail services and rates while ensuring integrated North American access to preferred markets and carriers for interline rail shipments;

Growth Opportunities – proposals must accommodate access to the railway line for third party passenger rail services on reasonable economic terms and identify any new opportunities for freight rail services; and

Community Specific Issues – proposals should demonstrate how they would benefit key groups, such as employees, communities, and First Nations and ensure continuation of the rail shuttle service between D'Arcy and Lillooet.

Following submissions of Expressions of Interest, a data room containing more detailed information regarding BC Rail will be made available to selected parties.

INVESTMENT HIGHLIGHTS

Access to Premium Forest Resource

BC has by far the largest and best quality fibre-growing region, or "fibre basket," on the North American continent. Lumber shippers in areas served by BC Rail have competitive advantages through lower logging costs and modern, higher productivity mills when compared to other Northwest fibre areas – the U.S. Northwest and the BC Coastal fibre baskets. Fibre from BC forests has a competitive advantage over that from Alberta forests (primarily Aspen, less strength and size), and from eastern Canadian forests (smaller trees and colder climate). BC Rail enjoys access to most of the fibre basket in BC, which is an attractive revenue source for a potential operator.

Modern, Quality Assets

BC Rail has consistently invested in its assets and has ensured that its fleet of locomotives and railcars, as well as railway infrastructure, have remained modern and in a condition which meets safety standards and requirements. Forty 4,400 HP C40-8 and C44-9 locomotives, with an average age of ten years make up the core of the 120 unit locomotive fleet. Twenty-one B36-7 and B39-8 branch line locomotives have had recent overhauls. BC Rail also has approximately 9,000 railcars and 1,903 miles (3,055 kilometres) of quality track. Since 1985, the track and structures of the core railway between North Vancouver and Chetwynd (Mile 0 to Mile 660) have been rebuilt and upgraded to allow a 286,000-pound railcar-loading limit. The track consists of 115 lb., 124 lb. and 136 lb. continuous welded rail ("CWR") from Mile 0 to Mile 538. Heavy-haul rail salvaged from the Tumbler Subdivision is being used to extend CWR installation north of Mile 538. Hardwood ties, premium tie plates with elastic fasteners and screw spikes have been used on most sharp curves for gauge restraint. A program to remove timber structures and upgrade older steel decks on bridges will be completed in 2003 to allow a 286,000-pound railcar-loading limit up to Mile 660. Rockwork and tunnelling programs have stabilized most active slopes.

Originates and Terminates Significant Proportion of Traffic

Approximately 57% of BC Rail's revenue originates and terminates on BC Rail's system, rather than being interlined to other rail carriers for shipment to final destination. As a result, a significant volume of BC Rail's originating traffic is presently handled entirely on the railway's own system and is not dependent on an interline relationship with one of the Class 1 rail carriers. The potential for sending this traffic to other markets in order to build longer haul traffic is greatest with pulp traffic, possibly diverting traffic presently destined for overseas markets to North American markets.

FINANCIAL INFORMATION

For current financial information, please refer to BC Rail's website at:

<http://www.bcbudget.gov.bc.ca/sp2003/crowncorps/bcrail.pdf>

CONTACT INFORMATION

All inquiries or communications should be directed to one of the CIBC World Markets contacts listed below. We ask that you make no attempt to contact BC Rail, BCRC or the Province directly regarding any aspect of your interest.

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